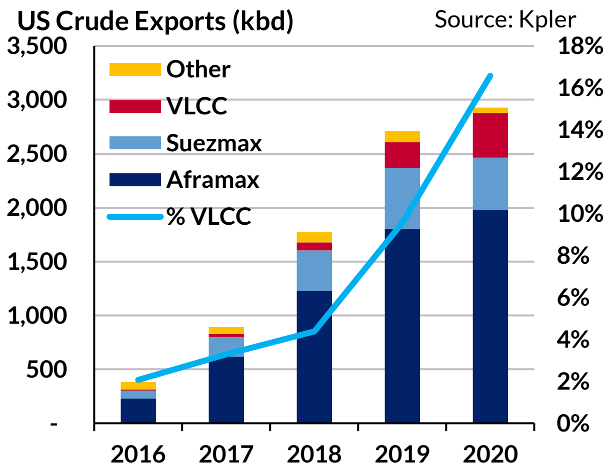
Infrastructure Indecision

Weekly Tanker Market Report

With everything the pandemic has thrown at the oil industry, the last time we took a serious look at US VLCC export infrastructure developments was back in January 2020. At this point in time, we counted 9 projects under development, with the import focused Louisiana Offshore Oil Port (LOOP) being the only terminal capable loading full VLCCs. Since then, the pandemic has forced a rethink, with several projects/investors consolidating their efforts, others going silent and some being cancelled altogether.

There are now just 4 offshore projects which remain serious contenders. Sentinel Midsteam's Texas GulfLink project is one of the frontrunners. The project has signed up Freepoint Commodities and has already received a draft environmental impact statement (DEIS) from the United States Maritime Administration (MARAD), yet it remains unclear when the project will be approved. The project does however seem to be quietly moving through the regulatory process and the public comment period for the DEIS recently closed, meaning the project partners should soon have feedback from the regulatory bodies on what they must do next to move the terminal forward. Energy Transfer Partners (ETP) is also pushing ahead with plans to develop the Blue Marlin terminal and submitted its application to MARAD in October 2020. ETP plans to start construction towards the end of this year, bringing it in service for Q3 2023. The facility will utilise an existing platform to minimize its environmental impact. MARAD currently states that public consultations took place in December 2020, with the DEIS due this year. However, with DEIS not due until later in 2021, the construction timeframe looks ambitious.



Another facility, Bluewater Texas Terminals (BWTX) was originally proposed as a project between Phillips 66 (P66) and the Port of Corpus Christi. However, in February 2020, Trafigura joined the project to form a 50/50 joint venture with P66 and simultaneously withdrew its application to develop a separate facility (Texas Gulf Terminals). BWTX remains under review, with MARAD requesting and receiving clarification on several issues. Rumours have emerged that the project is on hold due to its absence from P66's 2021 CAPEX budget. However, with the Port of Corpus Christi approving a lease agreement for the project back in December, it still seems to be moving ahead even if the timeline has slipped. In a similar move to Trafigura, Enbridge, withdrew its application to develop the Texas Colt Project just over a year ago and elected to become a partner in the Sea Port Oil Terminal (SPOT) project alongside Enterprise Product Partners. This project has also been under MARAD review, however the permitting process was suspended in June 2020 as MARAD wanted more information. The project is said to have a customer commitment from Chevron and is thought to be one of the most likely to succeed.

Still, not all the above-mentioned projects are likely to be constructed. With each project having capacity of around 2 million b/d, there may only be demand for 1 or 2 facilities, depending on how fast exports grow and how well existing infrastructure is utilized. Fortunately, for the leading contenders, it looks like a number of other projects have also fallen by the wayside. Carlyle pulled out of the Harbour Island project, whilst the proposed Jupiter Offshore terminal at Brownsville and Tallgrass Energy's Plaquemine's project, have both gone quiet.

With several projects delayed and uncertain timelines due to the permitting process (not to mention a more environmentally focused President), it looks as if US Gulf export infrastructure will remain inefficient for VLCCs for at least the next 2 years. Nevertheless, as world oil demand and US crude production recovers, the need for VLCC terminals will become ever greater. Until then, the Aframax and Suezmax sectors will continue to enjoy a fair share of the volumes.

Crude Oil

Middle East

Charterers once again were able to control the flow of enquiry and limit the opportunities for VLCC Owners. Rates have languished at the bottom with again no real sign that things will quickly improve. Last done AGulf/East is 265,000mt by ws 30.5. Western runs are non-existent at the moment but we would estimate the rate to be purely a positional one paying around 280,000mt by ws18 (via Cape). The Suezmax market has been very flat this week and rates remain unchanged at 140,000mt by ws 22.5 for European discharge and 130,000mt by ws 52.5 to the East. Another week of pain for Aframax Owners where rates have softened yet again. The AGulf has a mild amount of activity but rates are showing signs they might finally settle in the ws 50's for East discharge.

West Africa

VLCC Owners have been able to hold on to the previous week's levels, but that has more to do with the higher bunker prices than supply and demand factors. So last done remains 260,000mt by ws 35 for a long Eastern run. Suezmax Owners have lost momentum this week and Charterers quickly seized on the fact that the availability of tonnage had swung back in their favour. As the week progressed rates tumbled and have now found their natural floor at 130,000mt by ws 52.5 for European discharge and ws 55 to the East.

Mediterranean

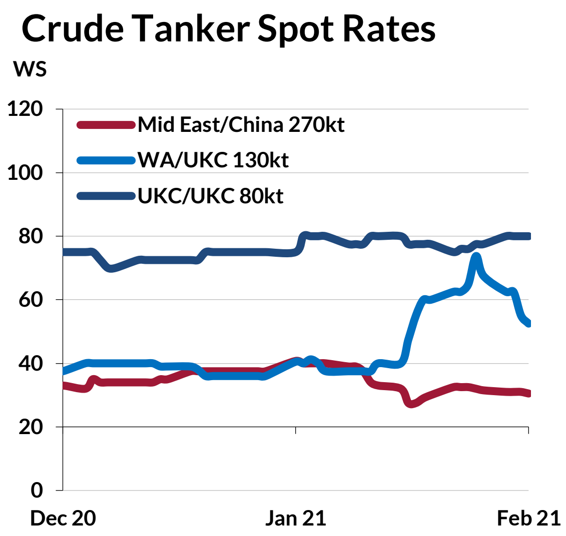
The week has flown by for Aframax Owners without much fanfare but also without the expected rate erosion. Some routes requiring fewer restrictions did see lower rates paid and the better voyages such as Sidi Kerir to Livorno managed to break the 80,000mt by ws 60 level. However, rates for average runs did tread water and the influx of CPC cargoes continued, resulting in a rate rise to 80,000mt by ws 87.5 for ships giving optionality. As we look forward, Owners are keeping an eye on bad weather but for now, especially with Turkish Straits delays being insignificant, freight rates are likely to remain rangebound. A Suezmax Black Sea cargo obtained many offers and achieved a rate of 135,000mt by ws 42.5 to the US Atlantic coast. As the week comes to a close, the tonnage list has now tightened and X-Med cargoes are paying approximately 140,000mt by ws70.

US Gulf/Latin America

Aframax Charterers were initially able to take advantage of the build-up of tonnage in the region, which in turn saw levels drop to around 70,000mt by ws 67.5 for a generic short haul run. A recent surge of transatlantic fixtures has thinned the availability of tonnage and we should start to see some recovery in rates. VLCC Owners have not really had the opportunity to build any momentum and push for higher numbers. We have again seen a number of vessels fixing and failing keeping Owners in check. Last done remains Lumpsum $4.25 million for Far Eastern destinations.

North Sea

The Aframax market remains very flat this week with Arb questions breaking up the tedium. The tonnage list remains long and sentiment is flat. Current levels are 80,000mt by ws 77.5 X-North Sea, whilst rates from the Baltic have stooped as low as 100,000mt by ws 55 for Continent discharge. The balance of the month does not offer a huge amount of hope for Owners, but potential weather delays may offer a few disruptions.



*All rates displayed in graphs in terms of WS100 at the time,

Clean Products

East

A fairly painful week on the LRs with rates hitting horrible lows on LR2s although LR1s have seen some small improvements finally. LR2s have seen just too few stems and, with the abundance of tonnage rates have come off to a stage where breaking even is barely possible. 75,000mt naphtha AGulf/Japan is now ws 65 but less could be done soon even though most Owners would say it just isn't worth it. 90,000mt jet AGulf/UKCont is untested but must be around the $1.40 million mark. Little improvement is likely while demand is just so low. There are deals being completed under the covers but its not enough for any turnaround in rates for the coming couple of week.

LR1s have seen slight improvements this week with the early list being dominated by old and less workable units. With so many ships controlled by the Hafnia pool, rates have been able to climb a touch. 55,000mt naphtha AGulf/Japan is now ws 82.5 and perhaps a little more to come. 65,000mt jet AGulf/UKCont is hovering at just over $1.1 million and again could have legs to move a touch more. But with MR and LR2s both still very weak there will be limited ability for LR1s on their own to really move the market.

A fairly dreadful week on the MR segment with a heavy front end trading aggressively into the natural window as Owners try to avoid taking too many waiting days. EAF is the most popular run with ws 115 the lowest we have seen and although it failed, the benchmark remains there or thereabouts. Westbound stems will trade circa $900k basis UKCont, and given the availability of veg players off the front end, Argie will trade close to parity at these levels, perhaps $25-40k premium for the longer voyage. Naphtha has bounced around ws 95 levels and is proving a popular run but not quite worth the ballast for prompt Singapore tonnage. The interest, looking forward, will be that tonnage ballasts round the Cape and through the canal in an escape attempt, which may ease the list up slightly from being so incredibly over-bearing.

Mediterranean

A week to forget for the Owning fraternity in the Med, with heavy losses seen throughout. An inevitable large negative correction was seen on Monday ex Black Sea, with the gap between X-Med and Black Sea large last week and the 'rule of thumb' 10 point differential was soon re-established. At the time of writing, X-Med is now around the 30 x ws 117.5-120 mark and the sheer number of fixing window units has been the reason behind the softening in rates throughout the week. Although enquiry has been healthy (and a rather large influx of cargoes on Friday too), Owners haven't been able to avoid consistently fixing under last done with 30 x ws 130 the going rate ex Black Sea at COB. Next week will likely bring further units to choose from with a stretched fixing window. Owners will need to dig their heels in to avoid any further losses.

Pressure from the off in the MR sector with ballasters entering the picture giving Charterers plenty of ammunition to break last done rates. Although the week started with TC2 at the 37 x ws 135 mark, Med rates traded a touch behind this around the 37 x ws 130 mark and with the sentiment in NWE poor and enquiry slow, this soon led to 37 x ws 122.5 becoming the new found rate for transatlantic ex Med with +10 points achievable for WAF as rates now trade in line with the UKCont market.

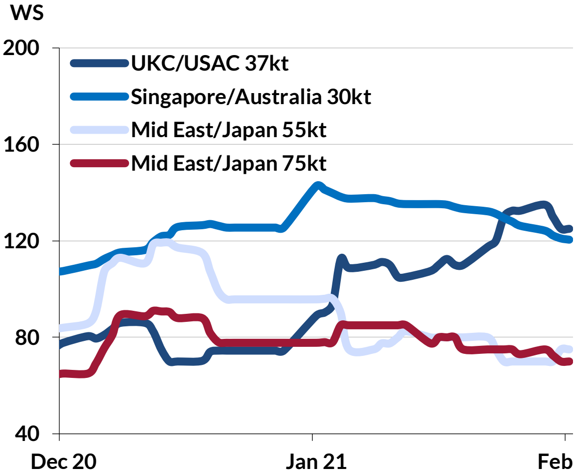
UK Continent

A slow and steady decline in rates has been seen throughout week 5 for the MRs as the promise of excess ballast tonnage thwarted Owners hope of holding fast. We started optimistically with a replacement seeing 37 x ws 140 for transatlantic as we continued to see limited options for Charterers off the single figure dates but, with a couple of stems being picked off by larger tonnage and the inevitable increase in tonnage on the horizon, some Owners took what they could as we slipped down to 37 x ws 125 by Wednesday. The few WAF cargoes we did see held their traditional 10 point premium and therefore saw a similar demise throughout and, with limited Ice Baltic requirements a fresh assessment is required. A further slip to 37 x ws 122.5 on Friday is seen, which with a depleted outstanding cargo list is hardly surprising and moving into next week, Owners will be hoping for a few more stems to soak up the additional tonnage.

It was quite clear that the Handy market was due a correction this week after enquiry slowing as Charterers leaned on their COA partners or took larger units to cover their exposure. TC9 started at 30 x ws 160 but, with ample units available to Charterers, rates took a sharp drop to 30 x ws 137.5-140 level (20 points from last done) and X-UKCont down to 30 x ws 120-125 but very much Owner dependent. Cargo flow did improve towards the back end of the week and TC9 has rebounded back up to 30 x ws 145 and X-UKCont when next tested should land around 30 x ws 125-130. Little remains outstanding this side of the weekend but the market is finally balanced heading into next week.

Week 5 has been a quiet one in the UKCont Flexi market, which has produced very little in the way of fresh fixing activity. With Flexi enquiry slow throughout the week, freight ideas have been guided by the UKCont Handy market, which overall has also been pretty quiet with rates suffering a gradual decline as we've progressed through the week. The call for a X-UKCont run currently stands around the 22 x ws 160-165 levels but a fresh test is needed here to see where levels really lie. Market remains Handy driven.

Clean Product Tanker Spot Rates



*All rates displayed in graphs in terms of WS100 at the time.

Dirty Products

Handy

What's been an active week all around for the Handies has yet to amount to much to write about in terms of market recovery, yet the mood has improved with Owners having fixed on many of their front end units. In the continent, levels initially dropped to ws 105, but have since hovered back to around the ws 107.5 mark, which shows that with everything being so marginal right now, those last 2.5 points being contested makes all the difference between figures being in the red or black.

In the Med, consistent activity has seen the tonnage lists transform where depending on what approvals may be needed, for the first time in a while certain positions were looking rather stretched. That said, levels have remained flat in direction but right now perhaps consistency is no bad thing as from here perhaps, the foundations can be built for greater recovery.

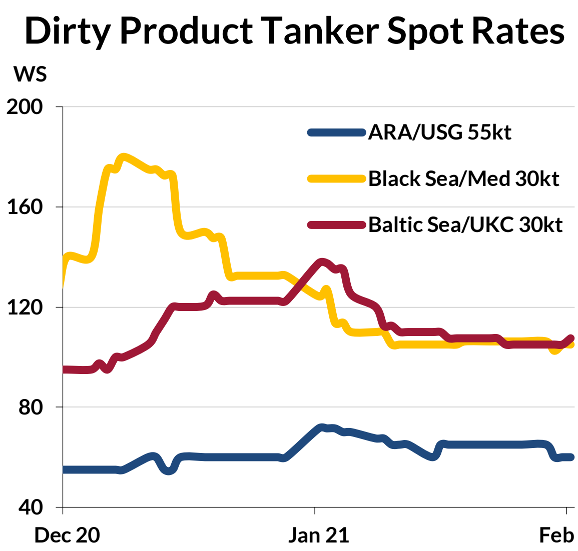
MR

In the Continent, resilience has been seen from Owners pushing back at last done levels of ws 80, where although plus 2.5 points week on week does not reflect much for Charterers to worry about, it makes all the difference for Owners general confidence. Admittedly there are ships still needing to be moved on, but from this week's trading you get the impression that the market has found a floor with current bunker prices.

Elsewhere, in the Med, we have again seen a distinct correlation to the behaviour of the surrounding Handy market, with MRs maintaining a flat gradient. Tonnage has been kept ticking over but, with shorter voyages being fixed, it's hard to see where scarcity of availability is likely to reflect when fixing date progression is taken into account.

Panamax

This sector continues to struggle gaining any traction through persistent reasoning, an abundance of spot Aframaxes and lack of demand for transatlantic moves. It is obvious therefore that stagnation has occurred, where perhaps the best thing Owners can hope in the short term is for some part cargo local employment just to shift one or two units into forward fixing windows. Make no mistake though, this won't please the bank manager, but when faced with the options of ballasting back to the US or building idle days, the decision making process becomes one more of ruling out what the worst scenario on the table is.



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GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Feb 4th	Jan 28th	Last Month*	FFA Feb/Mar
TD3C	VLCC	AG-China	**-1**	31	32	40	34
TD20	Suezmax	WAF-UKC	**-17**	52	69	38	49
TD7	Aframax	N.Sea-UKC	**+0**	78	78	81	90

Dirty Tanker Spot Market Developments - $/day tce (a)

			wk on wk change	Feb 4th	Jan 28th	Last Month*	FFA Feb/Mar
TD3C	VLCC	AG-China	**-2,750**	-750	2,000	12,500	2,750
TD20	Suezmax	WAF-UKC	**-9,500**	5,000	14,500	-750	3,250
TD7	Aframax	N.Sea-UKC	**-250**	-6,500	-6,250	-3,500	1,000

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Feb 4th	Jan 28th	Last Month*	FFA Feb/Mar
TC1	LR2	AG-Japan	**-4**	68	72	80	
TC2	MR - west	UKC-USAC	**-7**	123	130	110	120
TC5	LR1	AG-Japan	**+2**	76	74	88	84
TC7	MR - east	Singapore-EC Aus	**-7**	121	128	138	137

Clean Tanker Spot Market Developments - $/day tce (a)

			wk on wk change	Feb 4th	Jan 28th	Last Month*	FFA Feb/Mar
TC1	LR2	AG-Japan	**-2,250**	1,250	3,500	6,750	
TC2	MR - west	UKC-USAC	**-1,750**	6,250	8,000	5,000	5,500
TC5	LR1	AG-Japan	**+0**	1,750	1,750	5,500	3,500
TC7	MR - east	Singapore-EC Aus	**-1,750**	3,750	5,500	7,750	6,500

(a) based on round voyage economics at 'market' speed

ClearView Bunker Price (Rotterdam VLSFO)	**+25**	438	413	395	
ClearView Bunker Price (Fujairah VLSFO)	**+23**	468	445	425	
ClearView Bunker Price (Singapore VLSFO)	**+25**	476	451	430	
ClearView Bunker Price (Rotterdam LSMGO)	**+25**	476	451	442	

www.gibsons.co.uk

London
Audrey House
16-20 Ely Place
London EC1N 6SN

T +44 (0) 20 7667 1247
F +44 (0) 20 7430 1253
E research@eagibson.co.uk

Hong Kong
Room 1404, 14/f,
Allied Kajima Building
No. 138 Gloucester Road
Wan Chai, Hong Kong

T (852) 2511 8919
F (852) 2511 8910

Singapore
8 Eu Tong Sen Street
12-89 The Central
Singapore 059818

T (65) 6590 0220
F (65) 6222 2705

Houston
770 South Post Oak Lane
Suite 610, Houston
TX77056 United States